

TRIMBLE COUNTY SCHOOL DISTRICT

ANNUAL REPORT

JUNE 30, 2008



CPAS / CONSULTANTS

TRIMBLE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Members of the Board of Education of
Trimble County School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Trimble County School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of Trimble County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trimble County School District as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008, on our consideration of the Trimble County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

The Management's Discussion and Analysis on pages 7 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, and additional information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the

State Committee for School District Audits
Members of the Board of Education
Trimble County School District
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basic financial statements of the District. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and additional information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Amick & Company

Louisville, Kentucky
September 10, 2008

**TRIMBLE COUNTY SCHOOL DISTRICT
BEDFORD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

As management of the Trimble County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash balances for the District were \$9,052,486 and \$215,229.
- Instructional focus for the elementary schools was continued with the Everyday Mathematics and Direct Instruction and Corrective Reading programs.
- Direct Instruction was continued at Trimble County Middle School for targeted students.
- The District continued CTBS testing for K-2 students which is above state requirements.
- The District continued the new web-based assessment program for all students in grades 2-10 which covers all Kentucky Core Content test areas. The program called ThinkLink costs approximately \$10,800 per year and predicts student performance with 80-90% accuracy for every skill in every grade. Students take the assessment three times per year and teachers can focus instruction where students need it.
- Fund 1 reserved additional funds totaling \$800,000 for construction projects.
- The Legislature appropriated \$61,976.75 for a second year for technology upgrades that provided new computers and related technology equipment earmarked specifically for student use.
- The General Fund had \$10,899,492.98 in receipts, which primarily consisted of the state program (SEEK), interest, property, utility, motor vehicle and local occupational license taxes. Excluding inter-fund transfers, there was \$8,401,104.72 in General Fund expenditures.
- Food Service transferred \$25,000 to the Construction Fund for the new Milton Elementary School cafeteria equipment.
- Capital Outlay has \$122,920.57 restricted for the new Milton Elementary School construction project. This money will be transferred to the Construction Fund during the FY-09 year.
- Building Fund has \$187,956.80 restricted for the new Milton Elementary School construction project. This money will be transferred to the Construction Fund during the FY-09 year.
- Construction of the new Milton Elementary School was approximately 50% complete as of the end of the fiscal year, and was on schedule to be completed in December, 2008.
- Leadership, careful planning and conscientious spending netted an increase in unreserved fund balance for General Fund of \$905,315 over the previous year while improving programs.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as introduction to the District's basic financial statements. The District's basic financial statements comprise: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The District-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The District-wide financial statements can be found on pages 11 and 12

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our ACES Program, and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 and 15.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23 through 42.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$12,217,338 as of June 30, 2008.

A portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

	<u>For the year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 9,783,125	\$ 5,341,052
Non-current Assets	<u>16,091,381</u>	<u>12,649,391</u>
Total Assets	\$ <u>25,874,506</u>	\$ <u>17,990,443</u>
Current Liabilities	\$ 1,626,546	\$ 1,182,906
Non-current Liabilities	<u>11,598,079</u>	<u>5,710,495</u>
Total Liabilities	<u>13,224,625</u>	<u>6,893,401</u>
Net Assets		
Investment in capital assets (net of debt)	7,092,726	6,597,925
Restricted	-0-	-0-
Unreserved Fund Balance	<u>5,557,155</u>	<u>4,499,117</u>
Total Net Assets	<u>12,649,881</u>	<u>11,097,042</u>
Total Liabilities and Net Assets	\$ <u>25,874,506</u>	\$ <u>17,990,443</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2008, net of on-behalf payments were \$9,513,509.
- General fund budget compared to actual revenue (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$444,069 more than budgeted.
- General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the actual balance being \$2,248,815 less than budgeted including a contingency of \$1,348,463.
- Revenues over expenditures varied slightly the actual balance being \$1,332,207 more than budgeted for a favorable result excluding the budgeted contingency of \$1,348,463.

The following table presents a summary of General Fund revenue and expense.

	<u>For the year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Local revenue sources	\$ 2,598,744	\$ 2,313,928
State revenue sources	8,241,605	7,589,326
Federal revenue	12,996	14,760
Other revenue	-0-	-0-
Earning on investments	<u>334,738</u>	<u>211,048</u>
Total Revenues	\$ <u>11,188,083</u>	\$ <u>10,129,062</u>

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

	<u>2008</u>	<u>2007</u>
Expenses:		
Instruction	\$ 6,069,100	\$ 5,594,064
Student support services	393,682	375,265
Instructional support	293,045	267,495
District administration	414,274	461,544
School administration	536,221	591,596
Business support	370,418	326,534
Plant operations	889,222	829,477
Student transportation	869,918	754,083
Community services	4,896	(88)
Facilities acquisition & construction	37,389	45,013
Debt service	<u>42,923</u>	<u>54,444</u>
Total Expenses	\$ <u>9,921,088</u>	\$ <u>9,299,426</u>
Revenue in Excess of Expenditures	\$ <u>1,266,995</u>	\$ <u>829,636</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,362,737 in contingency. The beginning cash balance for the fiscal year is \$4,627,202. Significant Board action that impacted the finances included a pay raise for all employees and beginning construction on a new elementary school.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in the grants and the added burden of health insurance costs and matching retirement for employees paid from the federal grants have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Marcia Dunaway, Superintendent, or to Phillip Harmon, Finance Officer, at 502-255-3201, phillip.harmon@Trimble.kyschools.us or by mail at P. O. Box 275, Bedford, KY 40006.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,052,486	\$ 215,229	\$ 9,267,715
Investments	-	-	-
Interest receivable	-	-	-
Accounts receivable			
Taxes - current	49,807	-	49,807
Accounts	50,551	-	50,551
Other	318,271	18,097	336,368
Debt issuance costs, net	78,684	-	78,684
Total Current Assets	<u>9,549,799</u>	<u>233,326</u>	<u>9,783,125</u>
CAPITAL ASSETS			
Capital assets	19,046,697	416,581	19,463,278
Construction in progress	3,796,969	-	3,796,969
Less accumulated depreciation	<u>(6,958,304)</u>	<u>(210,562)</u>	<u>(7,168,866)</u>
Total Capital Assets	<u>15,885,362</u>	<u>206,019</u>	<u>16,091,381</u>
TOTAL ASSETS	<u><u>\$ 25,435,161</u></u>	<u><u>\$ 439,345</u></u>	<u><u>\$ 25,874,506</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 740,104	\$ 6,802	\$ 746,906
Cash overdraft	280,279	-	280,279
Accrued payroll and related expenses	(2,391)	-	(2,391)
Current portion of bonds payable	440,000	-	440,000
Current portion of capital leases payable	37,406	-	37,406
Current portion of accrued sick leave	86,354	-	86,354
Deferred revenue	37,992	-	37,992
Total Current Liabilities	<u>1,619,744</u>	<u>6,802</u>	<u>1,626,546</u>
NONCURRENT LIABILITIES			
Bonds payable	11,515,000	-	11,515,000
Capital leases payable	83,079	-	83,079
Noncurrent portion of accrued sick leave	-	-	-
Total Noncurrent Liabilities	<u>11,598,079</u>	<u>-</u>	<u>11,598,079</u>
TOTAL LIABILITIES	<u><u>\$ 13,217,823</u></u>	<u><u>\$ 6,802</u></u>	<u><u>\$ 13,224,625</u></u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 6,886,707	\$ 206,019	\$ 7,092,726
Unrestricted	<u>5,330,631</u>	<u>226,524</u>	<u>5,557,155</u>
TOTAL NET ASSETS	<u><u>\$ 12,217,338</u></u>	<u><u>\$ 432,543</u></u>	<u><u>\$ 12,649,881</u></u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Activities

District Wide

For the year ended June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 7,468,785	\$ -	\$ 1,900,234	\$ -	\$ (5,568,551)	\$ -	\$ (5,568,551)
Support Services:							
Student	428,864	1,750	2,439	-	(424,675)	-	(424,675)
Instruction staff	385,262	-	-	-	(385,262)	-	(385,262)
District Administrative	488,578	-	-	-	(488,578)	-	(488,578)
School Administrative	536,221	-	-	-	(536,221)	-	(536,221)
Business	370,418	-	-	-	(370,418)	-	(370,418)
Plant operation and maintenance	889,822	-	-	-	(889,822)	-	(889,822)
Student transportation	741,262	-	-	-	(741,262)	-	(741,262)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	37,389	-	-	381,924	344,535	-	344,535
Food service operation	5,642	-	-	-	(5,642)	-	(5,642)
Community service activities	119,586	-	-	-	(119,586)	-	(119,586)
Interest on long-term debt	275,857	-	-	-	(275,857)	-	(275,857)
Depreciation and amortization	631,464	-	-	-	(631,464)	-	(631,464)
Total Governmental Activities	<u>12,379,150</u>	<u>1,750</u>	<u>1,902,673</u>	<u>381,924</u>	<u>(10,092,803)</u>	<u>-</u>	<u>(10,092,803)</u>
Business-type Activities							
Food service	884,018	333,713	494,751	-	-	(55,554)	(55,554)
Day care	32,659	26,664	3,434	-	-	(2,561)	(2,561)
Total Business-type Activities	<u>916,677</u>	<u>360,377</u>	<u>498,185</u>	<u>-</u>	<u>-</u>	<u>(58,115)</u>	<u>(58,115)</u>
Total School District	<u>\$ 13,295,827</u>	<u>\$ 362,127</u>	<u>\$ 2,400,858</u>	<u>\$ 381,924</u>	<u>\$ (10,092,803)</u>	<u>\$ (58,115)</u>	<u>\$ (10,150,918)</u>
General Revenues							
Property taxes					\$ 2,221,896	\$ -	\$ 2,221,896
Delinquent property tax					26,811	-	26,811
Motor vehicle taxes					318,352	-	318,352
Utility taxes					381,694	-	381,694
Other taxes					-	-	-
Investment earnings					366,942	12,070	379,012
State and formula grants					8,311,008	-	8,311,008
Gain on sale of fixed assets					6,003	-	6,003
Miscellaneous					58,345	-	58,345
Total General Revenues					<u>11,691,051</u>	<u>12,070</u>	<u>11,703,121</u>
Change in Net Assets					1,598,248	(46,045)	1,552,203
Net Assets - Beginning					10,619,090	478,588	11,097,678
Net Assets - Ending					<u>\$ 12,217,338</u>	<u>\$ 432,543</u>	<u>\$ 12,649,881</u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2008

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 4,635,908	\$ -	\$ 3,816,495	\$ 600,083	\$ 9,052,486
Investments	-	-	-	-	-
Accounts receivable					
Taxes - current	46,662	-	-	3,145	49,807
Accounts	50,551	-	-	-	50,551
Intergovernmental - State	-	318,271	-	-	318,271
Intergovernmental - Federal	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 4,733,121</u></u>	<u><u>\$ 318,271</u></u>	<u><u>\$ 3,816,495</u></u>	<u><u>\$ 603,228</u></u>	<u><u>\$ 9,471,115</u></u>
LIABILITIES					
Accounts payable	\$ 439	\$ -	\$ 739,665	\$ -	\$ 740,104
Cash overdraft	-	280,279	-	-	280,279
Accrued payroll and related expenses	(2,391)	-	-	-	(2,391)
Current portion of accumulated sick leave	86,354	-	-	-	86,354
Due to other funds	-	-	-	-	-
Deferred revenue	-	37,992	-	-	37,992
Total Liabilities	<u><u>84,402</u></u>	<u><u>318,271</u></u>	<u><u>739,665</u></u>	<u><u>-</u></u>	<u><u>1,142,338</u></u>
FUND BALANCES					
Reserved for					
Encumbrances	-	-	-	-	-
Unreserved					
Undesignated, reported in					
General fund	2,498,388	-	-	139,125	2,637,513
Special revenue fund	-	-	-	-	-
Capital project funds	-	-	-	-	-
Designated, reported in					
General fund	2,150,331	-	-	-	2,150,331
Capital project funds	-	-	3,076,830	464,103	3,540,933
Total Fund Balances	<u><u>4,648,719</u></u>	<u><u>-</u></u>	<u><u>3,076,830</u></u>	<u><u>603,228</u></u>	<u><u>8,328,777</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,733,121</u></u>	<u><u>\$ 318,271</u></u>	<u><u>\$ 3,816,495</u></u>	<u><u>\$ 603,228</u></u>	<u><u>\$ 9,471,115</u></u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Assets
June 30, 2008

Total fund balance per fund financial statements	\$ 8,328,777
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets

Total cost of capital assets	22,843,666	
Accumulated depreciation	<u>(6,958,304)</u>	15,885,362

Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net assets

Bond Issuance costs	78,684
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets

Bonds payable	(11,955,000)	
Capital leases payable	<u>(120,485)</u>	<u>(12,075,485)</u>

Net assets for governmental activities	<u><u>\$ 12,217,338</u></u>
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The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Revenue, Expenditures And Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	GENERAL FUND	SPECIAL REVENUE FUNDS	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
From local sources:					
Taxes:					
Property	\$ 1,906,878	\$ -	\$ -	\$ 341,829	\$ 2,248,707
Motor Vehicles	273,289	-	-	45,063	318,352
Utilities	381,694	-	-	-	381,694
Other	-	-	-	-	-
Tuition and fees	1,750	-	-	-	1,750
Earnings on investments	334,738	1,172	-	31,032	366,942
Student activities	-	-	-	-	-
Community Service Activities	-	-	-	-	-
Other local revenues	35,133	25,651	-	-	60,784
Intergovernmental - State	8,241,605	515,625	-	381,924	9,139,154
Intergovernmental - Direct Federal	12,996	628,844	-	-	641,840
Intergovernmental - Indirect Federal	-	755,765	-	-	755,765
Intergovernmental - Intermediate sources	-	-	-	-	-
TOTAL REVENUES	11,188,083	1,927,057	-	799,848	13,914,988
EXPENDITURES					
Current:					
Instruction	6,069,100	1,565,177	-	-	7,634,277
Support Services					
Student	393,682	35,182	-	-	428,864
Instructional staff	293,045	92,217	-	-	385,262
District administration	414,274	74,304	-	-	488,578
School administration	536,221	-	-	-	536,221
Business	370,418	-	-	-	370,418
Plant operations and maintenance	889,222	600	-	-	889,822
Student transportation	869,918	54,660	-	-	924,578
Central office	-	-	-	-	-
Food service operation	-	9,206	-	-	9,206
Community services	4,896	114,690	-	-	119,586
Facilities acquisition and construction	37,389	-	3,746,257	-	3,783,646
Debt service - KISTA Bonds	42,923	-	-	507,498	550,421
Other	-	-	-	-	-
TOTAL EXPENDITURES	9,921,088	1,946,036	3,746,257	507,498	16,120,879
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,266,995	(18,979)	(3,746,257)	292,350	(2,205,891)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	6,255,740	-	6,255,740
Proceeds from sale of fixed assets	6,003	-	-	-	6,003
Operating transfers in	-	18,979	161,579	-	180,558
Operating transfers out	(155,559)	-	-	-	(155,559)
TOTAL OTHER FINANCING SOURCES (USES)	(149,556)	18,979	6,417,319	-	6,286,742
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,117,439	-	2,671,062	292,350	4,080,851
FUND BALANCE JULY 1, 2007	3,531,280	-	405,768	310,878	4,247,926
FUND BALANCE JUNE 30, 2008	\$ 4,648,719	\$ -	\$ 3,076,830	\$ 603,228	\$ 8,328,777

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Net Assets June 30, 2008

Net change in total fund balances per fund financial statements	\$ 4,080,851
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Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Capital outlay	4,098,629	
Depreciation expense	(627,323)	
Bond amortization expense	<u>(4,141)</u>	3,467,165

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

Principal on bond payments	238,593	
Principal on capital lease payments	<u>35,972</u>	274,565

The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net assets.	(6,255,740)
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Other uses of funds that are reflected in the governmental funds statements but are not reflected in the statement of activities

Transfers to Proprietary Funds	(25,000)
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Some repayments of bond principal are made by contributions from the Kentucky School Facilities Construction Commission. These contributions are not reflected in the governmental funds statement.

<u>56,407</u>

Change in net assets of governmental activities	<u><u>\$ 1,598,248</u></u>
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The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2008

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
From local sources:				
Taxes:				
Property	\$ 1,685,351	\$ 1,685,351	\$ 1,906,878	\$ 221,527
Motor vehicles	248,478	248,478	273,289	24,811
Utilities	323,000	323,000	381,694	58,694
Other	-	-	-	-
Tuition and fees	1,770	1,770	1,750	(20)
Earnings on investments	180,050	180,050	334,738	154,688
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	2,000	17,500	35,133	17,633
Intergovernmental - State	6,570,632	6,604,322	8,241,605	1,637,283
Intergovernmental - Indirect Federal	-	-	12,996	12,996
Intergovernmental - Federal	8,000	8,000	-	(8,000)
TOTAL REVENUES	9,019,281	9,068,471	11,188,083	2,119,612
EXPENDITURES				
Current:				
Instruction	5,097,737	5,124,060	6,069,100	945,040
Support Services				
Student	321,281	321,281	393,682	72,401
Instructional staff	241,059	240,859	293,045	52,186
District administration	338,906	338,906	414,274	75,368
School administration	605,045	605,045	536,221	(68,824)
Business	359,375	359,375	370,418	11,043
Plant operations and maintenance	1,020,514	1,020,514	889,222	(131,292)
Student transportation	842,415	880,631	869,918	(10,713)
Central office	-	-	-	-
Community services	5,089	5,089	4,896	(193)
Facilities acquisition and construction	195,000	195,000	37,389	(157,611)
Debt service - KISTA Bonds	42,923	42,923	42,923	-
Contingency	1,362,737	1,348,463	-	(1,348,463)
TOTAL EXPENDITURES	10,432,081	10,482,146	9,921,088	(561,058)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,412,800)</u>	<u>(1,413,675)</u>	<u>1,266,995</u>	<u>2,680,670</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	500	500	6,003	5,503
Operating transfers in	-	-	-	-
Operating transfers out	(168,649)	(167,774)	(155,559)	12,215
TOTAL OTHER FINANCING SOURCES (USES)	(168,149)	(167,274)	(149,556)	17,718
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(1,580,949)</u>	<u>(1,580,949)</u>	<u>1,117,439</u>	<u>2,698,388</u>
FUND BALANCE JULY 1, 2007	<u>1,580,949</u>	<u>1,580,949</u>	<u>3,531,280</u>	<u>1,950,331</u>
FUND BALANCE JUNE 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,648,719</u>	<u>\$ 4,648,719</u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	-	1,172	1,172	-
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	-	14,868	25,651	10,783
Intergovernmental - State	127,680	426,425	515,625	89,200
Intergovernmental - Indirect Federal	8,772	784,780	755,765	(29,015)
Intergovernmental - Federal	-	628,844	628,844	-
Intergovernmental - Intermediate sources	-	-	-	-
TOTAL REVENUES	136,452	1,856,089	1,927,057	70,968
EXPENDITURES				
Current:				
Instruction	136,452	1,475,895	1,565,177	89,282
Support Services				
Student	-	57,920	35,182	(22,738)
Instructional staff	-	90,956	92,217	1,261
District administration	-	74,884	74,304	(580)
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	700	600	(100)
Student transportation	-	50,126	54,660	4,534
Food service operations	-	8,500	9,206	706
Community services	-	115,750	114,690	(1,060)
Facilities acquisition and construction	-	-	-	-
Debt service - KISTA Bonds	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	136,452	1,874,731	1,946,036	71,305
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(18,642)	(18,979)	(337)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	18,979	18,979	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	18,979	18,979	-
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	337	-	(337)
FUND BALANCE JULY 1, 2007	-	48,783	-	(48,783)
FUND BALANCE JUNE 30, 2008	\$ -	\$ 49,120	\$ -	\$ (49,120)

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Food Service <u>Fund</u>	Other Enterprise <u>Fund</u>	Total Proprietary <u>Funds</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 213,194	\$ 2,035	\$ 215,229
Investments	-	-	-
Other receivables	17,794	303	18,097
Total current assets	<u>230,988</u>	<u>2,338</u>	<u>233,326</u>
Noncurrent Assets			
Capital assets	415,887	694	416,581
Less: Accumulated depreciation	<u>(210,365)</u>	<u>(197)</u>	<u>(210,562)</u>
Total noncurrent assets	<u>205,522</u>	<u>497</u>	<u>206,019</u>
Total assets	<u>\$ 436,510</u>	<u>\$ 2,835</u>	<u>\$ 439,345</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 6,454	\$ 348	\$ 6,802
Total current liabilities	<u>\$ 6,454</u>	<u>\$ 348</u>	<u>\$ 6,802</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 205,522	\$ 497	\$ 206,019
Unrestricted			
Unreserved	<u>224,534</u>	<u>1,990</u>	<u>226,524</u>
Total net assets	<u>\$ 430,056</u>	<u>\$ 2,487</u>	<u>\$ 432,543</u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Food Service <u>Fund</u>	Other Enterprise <u>Fund</u>	Total Proprietary <u>Funds</u>
Operating Revenues			
Food service sales	\$ 333,713	\$ -	\$ 333,713
Other operating revenues	<u>-</u>	<u>26,664</u>	<u>26,664</u>
Total operating revenues	<u>333,713</u>	<u>26,664</u>	<u>360,377</u>
Operating Expenses			
Salaries and wages	425,107	32,393	457,500
Professional and contract services	37,939	-	37,939
Supplies and materials	366,242	127	366,369
Small equipment purchases	4,460	-	4,460
Depreciation	24,801	139	24,940
Other operating expenses	<u>25,469</u>	<u>-</u>	<u>25,469</u>
Total operating expenses	<u>884,018</u>	<u>32,659</u>	<u>916,677</u>
Operating income (loss)	<u>(550,305)</u>	<u>(5,995)</u>	<u>(556,300)</u>
Nonoperating revenues (expenses)			
Federal grants	442,956	-	442,956
State grants	51,795	3,234	55,029
Donations	-	200	200
Interest income	<u>12,070</u>	<u>-</u>	<u>12,070</u>
Total nonoperating revenues (expenses)	<u>506,821</u>	<u>3,434</u>	<u>510,255</u>
Net income (loss)	<u>(43,484)</u>	<u>(2,561)</u>	<u>(46,045)</u>
Total net assets, July 1, 2007	<u>473,540</u>	<u>5,048</u>	<u>478,588</u>
Total net assets, June 30, 2008	<u>\$ 430,056</u>	<u>\$ 2,487</u>	<u>\$ 432,543</u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2008

	Food Service <u>Fund</u>	Other Enterprise <u>Fund</u>	Total Proprietary <u>Funds</u>
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 325,226	\$ -	\$ 325,226
Cash received from government grants	452,642	-	452,642
Cash received from other activities	-	26,561	26,561
Cash payments to employees for services	(382,998)	(28,938)	(411,936)
Cash payments to suppliers for goods and services	(407,324)	-	(407,324)
Cash payments for other operating activities	(25,469)	-	(25,469)
Net cash from operating activities	<u>(37,923)</u>	<u>(2,377)</u>	<u>(40,300)</u>
Cash Flows from Capital Financing Activities			
Capital contributions	-	-	-
Acquisition of capital assets	(3,562)	-	(3,562)
Net cash from capital financing activities	<u>(3,562)</u>	<u>-</u>	<u>(3,562)</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	-	-	-
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest on investments	12,070	-	12,070
Net cash flows from investing activities	<u>12,070</u>	<u>-</u>	<u>12,070</u>
Net increase in cash and cash equivalents	(29,415)	(2,377)	(31,792)
Cash and cash equivalents - beginning	242,610	4,412	247,022
Cash and cash equivalents - ending	<u>\$ 213,195</u>	<u>\$ 2,035</u>	<u>\$ 215,230</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net income (loss)	\$ (43,484)	\$ (2,561)	\$ (46,045)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	24,801	139	24,940
Loss on disposal of fixed assets	-	-	-
Interest	(12,070)	-	(12,070)
Changes in assets and liabilities:			
Receivables	(8,487)	(303)	(8,790)
Accounts payable	1,317	348	1,665
Net Cash Provided by Operating Activities	<u>\$ (37,923)</u>	<u>\$ (2,377)</u>	<u>\$ (40,300)</u>

The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Agency Funds

Statement of Fiduciary Net Assets

June 30, 2008

ASSETS

Cash	\$ 17,093
Accounts receivable	<u>240</u>

Total Assets	<u><u>\$ 17,333</u></u>
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LIABILITIES

Due to student groups	<u>\$ 17,333</u>
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Total Liabilities	<u><u>\$ 17,333</u></u>
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The accompanying notes are an integral part of these financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Trimble County Board of Education have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Trimble County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Trimble County School District (District). The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools in the district. The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14 *"The Financial Reporting Entity"* and there are no component units included within the reporting entity.

B. Related Organizations

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Trimble County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Related Organizations (Continued)

Trimble County School District Finance Corporation - The Trimble County, Kentucky, Board of Education resolved to authorize the establishment of the Trimble County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Trimble County Board of Education also comprise the Corporation's Board of Directors.

C. Basis of Presentation, Basis of Accounting

i. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

The Construction Fund includes Capital Projects Funds accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

The District reports the following major business-type funds:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture ("USDA"). No amounts have been recorded for in-kind contributions of commodities from the USDA.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

ii. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis,

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

ii. Measurement Focus, Basis of Accounting (Continued)

revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

ii. Measurement Focus, Basis of Accounting (Continued)

will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

D. Encumbrance Accounting

Purchase orders or contracts document encumbrances for goods or purchased services. Under Kentucky law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

E. Financial Statement Amounts

i. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

ii. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iii. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill and are delinquent if not paid before January 1 of the year following the year in which the tax is imposed. On April 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the County, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

iv. Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with cost of \$1,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20
Buildings and improvements	40
Technology Equipment	5
Vehicles	5 - 14
General Equipment	7 - 10

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iv. Capital Assets (Continued)

The District allocates cost of buildings between governmental and business-type activities based on the square footage of the space used for the business-type activity.

v. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

vi. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the residual amounts due between governmental and business-type activities, which are presented as internal balances.

F. Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as directed by law.

All budget appropriations lapse at year-end.

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

A. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38 "*Certain Financial Statement Note Disclosures*" violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits:

At June 30, 2008, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,174,528 and the bank balance was \$10,316,612. The District's cash deposits at June 30, 2008, and during the year ended June 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Cash and cash equivalents that are insured or registered, or securities held by the school district or by its agent in the school district's name.

Category 2 – Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterpart's trust department or agent in the school district's name.

Category 3 – Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the school district's name.

The school district's deposits and investments at June 30, 2008, are categorized as follows.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits (Continued):

	Carrying Amount/ Market Value	Bank Balance	Category		
			1	2	3
Demand Deposits:					
General checking	\$ 7,154,443	\$ 8,296,797	\$ 200,000	\$ -0-	\$ 6,954,443
Certificates of Deposit	<u>2,019,815</u>	<u>2,019,815</u>	<u>200,000</u>	<u>-0-</u>	<u>1,819,815</u>
Totals	<u>\$ 9,174,528</u>	<u>\$ 10,316,612</u>	<u>\$ 400,000</u>	<u>\$ -0-</u>	<u>\$ 8,774,528</u>

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 426,920	\$ -	\$ -	\$ 426,920
Construction in progress	506,805	3,746,257	(456,093)	3,796,969
Total nondepreciable historical cost	<u>933,725</u>	<u>3,746,257</u>	<u>(456,093)</u>	<u>4,223,889</u>
Capital assets that are depreciated:				
Land improvements	510,568	-	-	510,568
Building and building improvements	14,539,443	-	456,093	14,995,536
Infrastructure	-	-	-	-
Technology equipment	1,086,451	156,547	(82,813)	1,160,185
Vehicles	1,530,580	183,216	(88,683)	1,625,113
General equipment	321,706	8,945	(2,276)	328,375
Total depreciable historical cost	<u>17,988,748</u>	<u>348,708</u>	<u>282,321</u>	<u>18,619,777</u>
Less accumulated depreciation for:				
Land improvements	274,443	24,371	-	298,814
Building and building improvements	4,383,820	331,790	-	4,715,610
Infrastructure	-	-	-	-
Technology equipment	836,582	125,586	(78,454)	883,714
Vehicles	845,687	124,704	(88,683)	881,708
General equipment	159,322	21,272	(2,136)	178,458
Total accumulated depreciation	<u>6,499,854</u>	<u>627,723</u>	<u>(169,273)</u>	<u>6,958,304</u>
Total depreciable historical cost, net	<u>11,488,894</u>	<u>(279,015)</u>	<u>451,594</u>	<u>11,661,473</u>
Governmental activities capital assets, net	<u>\$ 12,422,619</u>	<u>\$ 3,467,242</u>	<u>\$ (4,499)</u>	<u>\$ 15,885,362</u>
Business-type activities:				
Building and building improvements	\$ -	\$ -	\$ -	\$ -
Technology equipment	14,355	2,210	-	16,565
Vehicles	-	-	-	-
General equipment	399,663	1,354	(1,000)	400,017
Total depreciable historical cost	<u>414,018</u>	<u>3,564</u>	<u>(1,000)</u>	<u>416,582</u>

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 3. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Building and building improvements	\$ -	\$ -	\$ -	\$ -
Technology equipment	1,274	2,977	-	4,251
Vehicles	-	-	-	-
General equipment	<u>185,348</u>	<u>21,963</u>	<u>(1,000)</u>	<u>206,311</u>
Total accumulated depreciation	<u>186,622</u>	<u>24,940</u>	<u>(1,000)</u>	<u>210,562</u>
Business-type activities capital assets, net	<u>\$ 227,396</u>	<u>\$ (21,376)</u>	<u>\$ -</u>	<u>\$ 206,020</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 421,399
Student support services	24,246
Instructional staff support services	9,103
District administrative support	6,962
School administrative support	6,106
Business support services	831
Plant operation and management	33,756
Student transportation	121,878
Central office support	3,042
Food service operation	24,801
Other proprietary operations	<u>139</u>
	<u>\$ 652,263</u>

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Trimble County aggregating \$13,281,927.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below:

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
April 1, 2002	\$ 5,700,000	4.62 %
2002 Refunding	\$ 1,226,997	3.5 %
Series 2007	\$ 6,355,000	3.85 %

The District, through the General Fund, (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Trimble County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS (Continued)

TRIMBLE COUNTY SCHOOL DISTRICT				SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL COMBINED
YEAR	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	
2009	\$ 278,701	\$ 335,775	\$ 614,476	\$ 161,299	\$ 156,153	\$ 931,928
2010	287,379	325,078	612,457	167,621	149,832	929,910
2011	300,760	313,866	614,626	174,240	143,212	932,078
2012	313,880	302,072	615,952	181,120	136,331	933,403
2013	321,673	289,767	611,440	188,327	129,125	928,892
2014	339,122	276,868	615,990	195,878	121,574	933,442
2015	349,443	263,156	612,599	190,557	113,662	916,818
2016	366,611	247,534	614,145	198,389	105,831	918,365
2017	383,393	230,942	614,335	206,607	97,612	918,554
2018	399,766	213,230	612,996	215,234	88,985	917,215
2019	420,706	194,288	614,994	224,294	79,925	919,213
2020	441,260	174,386	615,646	233,740	70,479	919,865
2021	461,414	153,636	615,050	243,586	60,633	919,269
2022	486,148	131,817	617,965	253,852	50,367	922,184
2023	428,793	101,534	530,327	176,207	39,665	746,199
2024	446,876	84,677	531,553	183,124	32,748	747,425
2025	464,687	67,130	531,817	190,313	25,559	747,689
2026	487,216	48,806	536,022	197,784	18,088	751,894
2027	504,452	29,716	534,168	205,548	10,324	750,040
2028	<u>519,619</u>	<u>10,003</u>	<u>529,622</u>	<u>165,381</u>	<u>3,184</u>	<u>698,187</u>
	<u>\$ 8,001,899</u>	<u>\$ 3,794,281</u>	<u>\$ 11,796,180</u>	<u>\$ 3,953,101</u>	<u>\$ 1,633,289</u>	<u>\$ 17,382,570</u>

Bonded debt balances and activity for the year ended June 30, 2008, were as follows:

	BEGINNING BALANCE	ADDITIONS	PAYMENTS	ENDING BALANCE
Governmental Activities:				
Trimble County School District	\$ 4,874,330	\$ 3,366,162	\$ (238,593)	\$ 8,001,899
School Construction Commission	<u>1,020,670</u>	<u>2,988,838</u>	<u>(56,407)</u>	<u>3,953,101</u>
Total Bonded Debt	<u>\$ 5,895,000</u>	<u>\$ 6,355,000</u>	<u>\$ (295,000)</u>	<u>\$ 11,955,000</u>

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 5. CAPITAL LEASE PAYABLE

The School Bus Financing Program is offered by the Kentucky Interlocal School Transportation Association (KISTA).

Equipment Lease Revenue Bonds are issued on behalf of participating School Districts. The Bonds are issued for 10 years and the debt service payments are structured to match the depreciation schedule of the Kentucky Department of Education (DOE). There is no limit as to the number of buses a District can finance.

As a Program participant, collision insurance for each vehicle is provided.

On behalf of all participants KISTA arranges for appropriate legal advertisements to comply with Kentucky State Law, waivers of liability and other DOE requirements. In addition, all legal documents needed to participate are prepared for each participant.

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2008</u>
Buses	\$ 201,938
<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2009	\$ 37,416
2010	35,157
2011	34,049
2012	<u>13,873</u>
Present Value of Net Minimum Lease Payments	\$ <u>120,495</u>

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 6. ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30 % of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

NOTE 7. PENSION PLAN

Plan Description – The Trimble County Schools contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort KY 40601.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 7. PENSION PLAN (Continued)

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Trimble County Schools' total payroll for the year was \$7,901,712. The payroll for employees covered under KTRS was \$5,335,676. For the year ended June 30, 2008, the Commonwealth contributed \$726,497 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2008, were \$55,672 which represents those employees covered by federal programs.

NOTE 8. COMMITMENTS AND CONTINGENCIES

A. Contingencies

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 9. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 10. INTERFUND TRANSFERS

Interfund transfers activity for the year ended June 30, 2008, is as follows:

<u>TYPE</u>	<u>FROM FUND</u>	<u>TO FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Matching	General	Special Revenue	Match	\$ 18,979
Operating	General	Construction	Construction	161,579
Operating	Food Service	General Fund	Construction	25,000

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experienced modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

TRIMBLE COUNTY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2008

NOTE 11. RISK MANAGEMENT (Continued)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 15. ON-BEHALF PAYMENTS

For the year ended June 30, 2008, total payments of \$1,720,886 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. On behalf payments are not budgeted items.

S U P P L E M E N T A R Y

I N F O R M A T I O N

TRIMBLE COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures And Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2008

	SEEK CAPITAL OUTLAY <u>FUND</u>	FSPK <u>FUND</u>	DEBT SERVICE <u>FUNDS</u>	TOTAL NONMAJOR GOVERNMENTAL <u>FUNDS</u>
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ 341,829	\$ -	\$ 341,829
Motor vehicle	-	45,063	-	45,063
Utilities	-	-	-	-
Earnings on investments	7,236	23,796	-	31,032
Intergovernmental - State	145,990	235,934	-	381,924
Intergovernmental - Indirect Federal	-	-	-	-
	<u>153,226</u>	<u>646,622</u>	<u>-</u>	<u>799,848</u>
TOTAL REVENUES	<u>153,226</u>	<u>646,622</u>	<u>-</u>	<u>799,848</u>
EXPENDITURES				
Current:				
Debt service	-	507,498	-	507,498
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>507,498</u>	<u>-</u>	<u>507,498</u>
TOTAL EXPENDITURES	<u>-</u>	<u>507,498</u>	<u>-</u>	<u>507,498</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>153,226</u>	<u>139,124</u>	<u>-</u>	<u>292,350</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>153,226</u>	<u>139,124</u>	<u>-</u>	<u>292,350</u>
FUND BALANCE, JULY 1, 2007	<u>122,920</u>	<u>187,958</u>	<u>-</u>	<u>310,878</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 276,146</u>	<u>\$ 327,082</u>	<u>\$ -</u>	<u>\$ 603,228</u>

See independent auditors' report.

TRIMBLE COUNTY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 276,146	\$ 323,937	\$ -	\$ 600,083
Accounts receivable				
Taxes - current	-	3,145	-	3,145
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 276,146</u>	<u>\$ 327,082</u>	<u>\$ -</u>	<u>\$ 603,228</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Cash overdraft	-	-	-	-
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved	-	139,125	-	139,125
Designated	-	-	-	-
Capital Projects	276,146	187,957	-	464,103
	<u>276,146</u>	<u>187,957</u>	<u>-</u>	<u>464,103</u>
TOTAL FUND BALANCES	<u>276,146</u>	<u>327,082</u>	<u>-</u>	<u>603,228</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 276,146</u>	<u>\$ 327,082</u>	<u>\$ -</u>	<u>\$ 603,228</u>

See independent auditors' report.

TRIMBLE COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM CLUSTER		FEDERAL CFDA NUMBER	DISBURSEMENTS/ EXPENDITURES
<u>PROGRAM TITLE</u>	<u>PROJECT</u>		
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct programs:			
Head Start - FY 07	04-CH-2611	93.600	\$ 628,844
Total Department of Health and Human Services			<u>628,844</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education			
Title I	0531-03-08	84.010	309,415
<i>Special Education Cluster</i>			
IDEA Part B	465-08	84.027	272,768
IDEA Part B Preschool	465-08P	84.173	13,320
 Title I - Migrant	 0531-02-07	 84.011	 14,886
Title I - Migrant	0531-03-08	84.011	20,296
Teacher Quality		84.367	83,785
Title V	0590-08	84.298A	6,083
Title IV (Drug and Alcohol)		84.186	3,530
Tech Prep Grant		84.243	8,772
Title IID - Fed Ed Tech	FY07	84.318	902
Title IID - Fed Ed Tech	FY08	84.318	1,201
Community Based Work	FY07	84.340	540
Community Based Work	FY08	84.340	5,550
Norm Reference Test		84.340	792
Vocational Education - Basic Grant Title IIC	5462-07-32	84.048	468
Vocational Education - Basic Grant Title IIC	5462-08-32	84.048	13,844
Total Department of Education			<u>756,152</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	0575-04/05	10.555	324,202
Nat'l School Breakfast Program	0575-04/05	10.553	118,961
Summer Meal Program		10.559	6,908
Total Department of Agriculture			<u>450,071</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 1,835,067</u>

See independent auditors' report.

TRIMBLE COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2008

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Trimble County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. FOOD DONATION

The District received nonmonetary assistance in the form of commodities. The amount of commodities disbursed was \$48,560 for the fiscal year ended June 30, 2008. The amount of commodities disbursed was not reported in the schedule of federal expenditures.

TRIMBLE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Trimble County School District.
2. There are no reportable conditions disclosed during the audit of the basic financial statements that are reported in the Schedule of Reportable Conditions in Part B of this schedule.
3. No instances of noncompliance material to the financial statements of Trimble County School District were disclosed during the audit. No instances of noncompliance not material to the financial statements are reported in Part B of this schedule.
4. The auditor's report on compliance for the major federal award programs for Trimble County School District expresses an unqualified opinion.
5. There were no findings relative to the major federal awards programs for Trimble County School District in accordance with Section 510(a) of Circular A-133.
6. The programs tested as major programs were:

	<u>CFDA #</u>
a. Child Nutrition Cluster	10.553/10.555/10.559
b. Head Start	93.600

The threshold for distinguishing Type A and B programs was \$300,000.

7. Trimble County School District does qualify as a low risk auditee.

B. FINANCIAL STATEMENT FINDINGS

1. REPORTABLE CONDITIONS

None

2. COMPLIANCE FINDINGS

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

D. PRIOR YEAR AUDIT FINDINGS

None



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

State Committee for School District Audits
Members of the Board of Education of
Trimble County School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Trimble County School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose or expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trimble County School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Trimble County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Trimble County School District's financial statements that is more than inconsequential will not be prevented or detected by the Trimble County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Trimble County School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trimble County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Trimble County School District in a separate letter dated September 10, 2008.

State Committee for School District Audits
Members of the Board of Education of
Trimble County School District
Page – 3-

This report is intended solely for the information and use of management of Trimble County School District, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amick & Company

Louisville, Kentucky
September 10, 2008



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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

State Committee for School District Audits
Members of the Board of Education of
Trimble County School District

We have audited the compliance of Trimble County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Trimble County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Trimble County School District's management. Our responsibility is to express an opinion on Trimble County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trimble County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Trimble County School District's compliance with those requirements.

In our opinion, Trimble County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Trimble County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Trimble County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

This report is intended solely for the information and use of the audit committee, management, and members of the Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amick & Company

Louisville, Kentucky
September 10, 2008

MANAGEMENT

LETTER

POINTS



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State Committee for School District Audits
Members of the Board of Education of
Trimble County School District

In planning and performing our audit of the financial statements of Trimble County School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated September 10, 2008, contains our report on reportable conditions and material weaknesses in the District's internal control structure. There were no material weaknesses noted during our audit. This letter does not affect our report dated September 10, 2008 on the financial statements of the Trimble County School District.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Trimble County School District.

Amick & Company

Louisville, Kentucky
September 10, 2008

TRIMBLE COUNTY SCHOOL DISTRICT

Management Letter Comments
For the Year Ended June 30, 2008

POINT 1. PRIOR YEAR RECOMMENDATIONS

We reviewed all recommendations made to the Board on the management letter that accompanied our previous report. The recommendations had been implemented and corrected and we sincerely commend the District in their efforts.

POINT 2. CURRENT YEAR RECOMMENDATIONS

A. PROPER DOCUMENTATION

Comments

We found several instances at the school level where the documentation attached to the bank reconciliation relating to outstanding checks was not sufficient.

Recommendation

All personnel involved in the preparation of bank reconciliations at the school level need to be reminded that a properly prepared bank reconciliation includes a detailed listing of checks outstanding as of the date of the reconciliation.

Management's Response

The Superintendent and Treasurer will remind the schools that they are to comply with all policies and procedures in the Red Book. They will also monitor this situation to ensure compliance in the future.

B. FILING PROCEDURES

Comments

The Red Book states that purchase orders and invoices relating to a disbursement are to be filed by month and in numerical check order. We found an instance at the school level where this was not the case

Recommendation

All personnel involved in the preparation of purchase orders and checks at the school level need to be reminded that these documents are to be properly filed in accordance with the guidelines as stated in the Red Book.

Management's Response

The Superintendent and Treasurer will remind the schools that they are to comply with all policies and procedures in the Red Book. They will also monitor this situation to ensure compliance in the future.

**ADDITIONAL
INFORMATION**

TRIMBLE COUNTY SCHOOL DISTRICT

Balance Sheet
School Activity Funds
June 30, 2008

	BEDFORD ELEMENTARY	MILTON ELEMENTARY	TRIMBLE COUNTY MIDDLE	TRIMBLE COUNTY HIGH	Totals (Memo Only)
ASSETS					
Cash and cash equivalents	\$ 17,346	\$ 8,502	\$ 29,547	\$ 114,401	\$ 169,796
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 17,346</u>	<u>\$ 8,502</u>	<u>\$ 29,547</u>	<u>\$ 114,401</u>	<u>\$ 169,796</u>
LIABILITIES AND FUND BALANCE					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance	<u>17,346</u>	<u>8,502</u>	<u>29,547</u>	<u>114,401</u>	<u>169,796</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,346</u>	<u>\$ 8,502</u>	<u>\$ 29,547</u>	<u>\$ 114,401</u>	<u>\$ 169,796</u>

See independent auditors' report.

TRIMBLE COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balances
School Activity Funds
For the Year Ended June 30, 2008

	BEDFORD ELEMENTARY	MILTON ELEMENTARY	TRIMBLE COUNTY MIDDLE	TRIMBLE COUNTY HIGH	Totals (Memo Only)
REVENUE					
School activities and projects	\$ 35,839	\$ 48,532	\$ 64,342	\$ 149,996	\$ 298,709
Athletic activities	4,833	-	20,335	169,632	194,800
After school care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>40,672</u>	<u>48,532</u>	<u>84,677</u>	<u>319,628</u>	<u>493,509</u>
EXPENDITURES					
School activities and projects	33,324	49,817	67,552	133,952	284,645
Athletic activities	5,404	-	14,956	176,026	196,386
After school care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>38,728</u>	<u>49,817</u>	<u>82,508</u>	<u>309,978</u>	<u>481,031</u>
Excess (deficiency) of revenue over expenditures	1,944	(1,285)	2,169	9,650	12,478
FUND BALANCE - JULY 1, 2007	<u>15,401</u>	<u>9,787</u>	<u>27,379</u>	<u>104,751</u>	<u>157,318</u>
FUND BALANCE - JUNE 30, 2008	<u>\$ 17,345</u>	<u>\$ 8,502</u>	<u>\$ 29,548</u>	<u>\$ 114,401</u>	<u>\$ 169,796</u>

See independent auditors' report.

**SCHOOL ACTIVITY
FUNDS**

TRIMBLE COUNTY BOARD OF EDUCATION
TRIMBLE COUNTY HIGH SCHOOL
ACTIVITY FUND

Statement of Receipts, Disbursements and Fund Balance
For the Year Ended June 30, 2008

<u>FUND ACCOUNTS</u>	<u>CASH</u> <u>BALANCES AT</u> <u>BEGINNING</u> <u>OF YEAR</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>CASH</u> <u>BALANCES</u> <u>AT END</u> <u>OF YEAR</u>	<u>NET</u> <u>ACCOUNTS</u> <u>RECEIVABLE</u> <u>(PAYABLE)</u>	<u>FUND</u> <u>BALANCES</u> <u>June 30, 2008</u>
General	\$ 14,395	\$ 54,077	\$ 50,882	\$ 17,590	\$ -	\$ 17,590
Transportation Costs	8,820	16,202	653	24,369	-	24,369
Charities	160	1,940	2,100	-	-	-
Guidance Department	-	1,643	1,361	282	-	282
Math Club	1,142	180	1,322	-	-	-
Business	45	-	-	45	-	45
Freshman Class	1,089	860	1,574	375	-	375
Sophomore Class	4,567	11,662	11,560	4,669	-	4,669
Junior Class	9,223	12,621	14,494	7,350	-	7,350
Library	1,080	1,952	1,885	1,147	-	1,147
Science	75	-	-	75	-	75
Senior Class	865	34,670	35,535	-	-	-
FCA	406	121	160	367	-	367
Academic Team	-	4,802	3,639	1,163	-	1,163
Art Club	282	121	221	182	-	182
Beta Club	127	2,812	2,461	478	-	478
FFA	2,381	9,859	9,605	2,635	-	2,635
Band	-	2,179	2,179	-	-	-
FBLA	1,060	1,313	1,367	1,006	-	1,006
Spanish Honorary	102	-	102	-	-	-
History Club	731	116	114	733	-	733
Pep Club	99	-	6	93	-	93
Science Club	460	2,340	2,049	751	-	751
Spanish Club	754	212	-	966	-	966
Student Council	779	750	267	1,262	-	1,262
Yearbook	931	8,524	2,781	6,674	-	6,674
Scrapbooking	33	-	33	-	-	-
Media Class	5	600	598	7	-	7
Drama	4,529	2,634	1,396	5,767	-	5,767
Technology Club	222	-	-	222	-	222
EBD	-	-	-	-	-	-
FMD	-	-	-	-	-	-
Bookstore	3,294	359	910	2,743	-	2,743
Pepsi General	1,467	12,238	12,196	1,509	-	1,509
Snack Machine	3,697	3,465	6,920	242	-	242
Lounge Drink Machine	1,819	3,411	3,476	1,754	-	1,754
Athletic Drink Machine	4,111	3,375	5,651	1,835	-	1,835
Textbooks	630	32,660	33,155	135	-	135

See independent auditors' report

TRIMBLE COUNTY BOARD OF EDUCATION
TRIMBLE COUNTY HIGH SCHOOL
ACTIVITY FUND

Statement of Receipts, Disbursements and Fund Balance
For the Year Ended June 30, 2008

<u>FUND ACCOUNTS</u>	<u>CASH</u> <u>BALANCES AT</u> <u>BEGINNING</u> <u>OF YEAR</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>CASH</u> <u>BALANCES</u> <u>AT END</u> <u>OF YEAR</u>	<u>NET</u> <u>ACCOUNTS</u> <u>RECEIVABLE</u> <u>(PAYABLE)</u>	<u>FUND</u> <u>BALANCES</u> <u>June 30, 2008</u>
Flower & Gift Fund	\$ 171	\$ 785	\$ 831	\$ 125	-	\$ 125
Agricultural Fees	1,365	740	1,790	315	-	315
Art Fees	1,460	2,982	3,251	1,191	-	1,191
Business Fees	60	860	355	565	-	565
Computer Lab Fees	34	1,300	981	353	-	353
Life Science Fees	-	914	912	2	-	2
Physical Science Fees	5	1,020	822	203	-	203
Technology Fees	32	260	234	58	-	58
Forensic	142	650	786	6	-	6
Art / Humanities	-	650	94	556	-	556
Discipline Committee	-	100	-	100	-	100
Athletics	1,970	45,037	44,683	2,324	-	2,324
Cheerleaders	2,292	10,683	11,709	1,266	-	1,266
Athletic Sound System	1,500	1,625	1,900	1,225	-	1,225
Jelly Bean Run	1,000	710	1,710	-	-	-
Football	1,572	23,417	24,634	355	-	355
Boys Basketball	-	23,464	23,024	440	-	440
Girls Basketball	2,413	21,331	22,804	940	-	940
Cross Country	2,542	7,347	9,403	486	-	486
Track	576	4,201	3,844	933	-	933
Golf	2,347	2,178	3,306	1,219	-	1,219
Softball	2,919	8,610	9,677	1,852	-	1,852
Baseball	5,534	11,294	8,104	8,724	-	8,724
Tennis	1,505	1,885	2,200	1,190	-	1,190
Volleyball	924	5,398	6,322	-	-	-
District Baseball	100	1,285	1,292	93	-	93
District Volleyball	-	1,100	1,096	4	-	4
District Basketball	-	8,085	8,085	-	-	-
Girls Class A	-	4,774	4,774	-	-	-
Raider Wear	-	2,215	1,520	695	-	695
Class A Tournament	-	2,273	2,273	-	-	-
Project Prom	615	500	549	566	-	566
Taylor/Hughes Memorial	50	-	-	50	-	50
Hawk's Scholarship	-	3,000	3,000	-	-	-
Kelly Jewell Scholarship	4,243	896	3,500	1,639	-	1,639
In Memory of F Burkhardt	-	500	-	500	-	500
Sub-Totals	104,751	429,767	420,117	114,401	-	114,401
Inter-Fund Transfers	-	(110,139)	(110,139)	-	-	-
TOTALS	\$ 104,751	\$ 319,628	\$ 309,978	\$ 114,401	\$ -	\$ 114,401

See independent auditors' report